

**MINUTES OF REGULAR MEETING
ILLINOIS GAMING BOARD
MARCH 16, 1999
CHICAGO, ILLINOIS**

NOTE: ITEMS IN **BOLDFACE PRINT** REFLECT OFFICIAL BOARD ACTIONS

The Illinois Gaming Board ("Board") held its Regular Meeting on March 16, 1999, in the auditorium on the 5th floor of the State of Illinois Building, Chicago, Illinois, pursuant to the Illinois Open Meetings Act, 5 ILCS 120.

The following Board Members were present: J. Thomas Johnson, Chairman; and Members William B. Browder, Gayl S. Pyatt, and Robert F. Vickrey.

Also in attendance were: Administrator Michael A. Belletire, Deputy Administrators Joseph Haughey, Allan McDonald, and Thomas Swoik, Chief Counsel Mareile' Cusack, other members of the staff, the media, the general public and interested parties.

Chairman Johnson called the meeting to order at 8:00 a.m. Member Browder moved **that the Board retire to Closed Session pursuant to Section 2(c), paragraphs (1), (4), (11), (14) and (21) of the Open Meetings Act, to discuss the following subject matters:**

**Issues Concerning Applicants and Licensees
Recommendations of Administrative Law Judges
Pending Litigation and Matters Involving Probable Litigation
Investigatory Matters
Personnel Matters
Closed Session Minutes**

Member Pyatt seconded the motion. The Board adopted the motion by unanimous consent.

The Board convened in Open Session at 10:15 a.m.

Chairman's Report

Chairman Johnson stated that the Board has scheduled a teleconference meeting for Tuesday, March 23, 1999, at 2:00 p.m. to discuss personnel matters.

The Chairman stated that an additional item was added to the agenda under the Owner Licensee section as an item for final action. A technical motion will be made by the Board regarding staff's responsibility to review certain documents of Casino Queen.

Board Minutes

Member Browder moved **that the Board approve the minutes from the open and closed sessions of the February 16, 1999 regular meeting.** Member Pyatt seconded the motion. The Board approved the motion unanimously by voice vote.

Owner Licensee Items

HOLLYWOOD CASINO AURORA ("HCA") – Ed Pratt and John Hull, representing Hollywood Casino Corporation ("HCC"), HCA and Greate Bay Casino Corporation ("Greate Bay"), stated that HCA and Pratt Management, L.P. ("PMLP") have been working to abolish the management contract by reaching an agreement with the PRT bondholders as part of Greate Bay's restructuring to purchase back the cash flow streams that are now flowing into the Greate Bay group. Mr. Pratt stated that HCC/PMLP have reached an agreement in principal with the majority of the bondholders and with Greate Bay to buy back the management agreement. HCC would pay approximately \$9.5 million to the current noteholders in new bonds to be issued by Pratt Casino Corporation ("PCC"). The new bonds would carry a coupon (interest rate) of approximately 11 7/8 percent. The new bonds would be secured by a pledge of the limited partnership interest in PMLP (i.e., the Aurora Management contract) and the Tunica consulting agreement, which is the same collateral that currently exists today for the PRT bonds. The new notes would be callable at any time due to HCC acquiring PCC (the issuer of the new notes) from Greate Bay as part of the transaction.

Mr. Pratt stated that the transaction puts HCC in a very good position. In any future refinancing of HCC's corporate indebtedness, HCC will have under its control those cash flow streams and will be able to roll the new bonds into a global

refinancing and eliminate them. At that time, HCC would totally eliminate the management contracts. HCC would end up with a simple structure of one corporate debt supported by its operations without the need for a management contract.

Chairman Johnson asked Mr. Pratt to supply information to staff regarding the refinancing structure that is created by this step and any other ancillary financing issues that need to be reviewed.

Mr. Pratt clarified for the Administrator that the new notes would be issued by PCC, not by HCC, and PCC will ultimately be owned by HCC.

PAR-A-DICE GAMING COMPANY ("PGC") – Donna More and Bill Boyd, representing PGC, requested renewal of PGC's owner's license. Mr. Boyd introduced members of the PGC organization. Mr. Boyd stated that renovations have been made to the interior of the Par-A-Dice vessel including new carpet, wall coverings and lighting. The exterior of the pavilion was also remodeled to coordinate with the Par-A-Dice Hotel. Other improvements include the addition of a carport in the valet area and a complete overhaul of the ventilation system. Mr. Boyd reported that charitable contributions for 1998 exceeded \$240,000 including in kind donations to Bradley University (\$100,000), Festival of Lights in East Peoria, the United Way and other such charities.

The Administrator recommended renewal of the PGC license.

Member Vickrey asked for an update on the power lines located in front of the pavilion. He stated that in Illinois electrical utility companies are being deregulated and contracts are being negotiated where the companies can go outside their service areas. Ms. Campbell stated that the cost for relocating the power lines is figured into PGC's 2000 capital budget. She stated that in 1998 PGC got three bids for the project. To bury the lines it would cost \$1.3 million; to move the lines to the river is \$2.7 million; and, to move the lines to the parking lot is \$1 million. PGC has not spoken to the electric companies since the deregulation.

Member Vickrey also stated that in Governor Ryan's transportation plan a Chicago to Peoria freeway is proposed. Member Vickrey stated that the freeway would impact significantly the counties of Tazewell and Peoria. He stated that the freeway would benefit the Par-A-Dice operation and encouraged PGC to find the people in Peoria that are involved in the plan to see if PGC can lend support to the project.

Member Vickrey moved that the Board approve Par-A-Dice Gaming Company's application for renewal of its owner's license for a period of one year, expiring March of 2000. In renewing the license, the Board orders Par-A-Dice to do the following:

To ensure that the equity position of Par-A-Dice is properly reflected, Boyd Gaming Corporation is to begin a formalized cycle of reconciling cash withdrawals from Par-A-Dice through periodic distributions.

Par-A-Dice and its key persons are to continue to cooperate with the Board in its inquiry into Boyd Gaming business interest in Louisiana.

I further move that the Board designate the following as the Key Persons of the licensee:

The officers and members of the Board of Directors of Par-A-Dice;
Boyd Gaming Corporation; and

The Chief Executive Officer, President, Chief Financial Officer, and Chief Operating Officer of Boyd Gaming Corporation.

Member Pyatt seconded the motion. The Board approved the motion unanimously by voice vote.

HOLLYWOOD CASINO AURORA ("HCA") and CASINO QUEEN, INC. – Patt Medchill, representing HCA and Bill Roberts, representing Casino Queen, requested approval of a waiver of Board rule 3000.510.

Member Pyatt moved that the Board approve Hollywood Casino Aurora's request for a waiver of Board rule 3000.510 and delegate to the Administrator authority to allow HCA to conduct gaming while remaining dockside for a limited time period while the City of Lights I & II undergo repairs to its hulls and to complete its conditional hull inspections. **Member Browder seconded the motion. The Board approved the motion unanimously by voice vote.**

Member Pyatt moved that the Board approve Casino Queen, Inc.'s request for a waiver of Board rule 3000.510 and delegate to the Administrator authority to allow Casino Queen to conduct gaming while remaining dockside for a limited

time period while the annual hull conditional assessment is being completed pursuant to United States Coast Guard rule. **Member Browder seconded the motion. The Board approved the motion unanimously by voice vote.**

CASINO QUEEN, INC. – Chairman Johnson stated that staff informed the Board of an issue relating to Casino Queen’s approval of final documentation relating to a credit agreement with the Bank of America. The following motion is offered for clarification.

Member Vickrey moved that the Board delegate to Allan McDonald, Deputy Director of Audit, the authority to approve the final documentation relating to Casino Queen’s line of credit amendment with the Bank of America. **Member Browder seconded the motion. The Board approved the motion unanimously by voice vote.**

EMPRESS CASINO JOLIET (“Empress”) – Tim Lambert, representing Empress, requested approval of John C. Webber as Surveillance Manager.

Member Browder moved that the Board approve John C. Webber as Level 1 Occupational Licensee of Empress Casino Joliet. **Member Pyatt seconded the motion. The Board approved the motion unanimously by voice vote.**

DES PLAINES DEVELOPMENT CORPORATION (“HARRAH’S”) – Jim Rankl, representing Harrah’s, requested approval of Jeffrey Petrick as Technical Systems Manager.

Member Browder moved that the Board approve Jeffrey A. Petrick as a Level 1 Occupational Licensee of Des Plaines Development Corporation. **Member Vickrey seconded the motion. The Board approved the motion unanimously by voice vote.**

Supplier Licensees

SILICON GAMING – Donna More and Paul Matthews, representing Silicon Gaming, requested approval of its application for a supplier’s license.

The Administrator stated that no issues have been raised about the integrity or personnel of the company. He stated that the approval process has been delayed due to the technical nature of this supplier. The Administrator gave an overview of the Odyssey game manufactured by Silicon. The Odyssey game is a device which offers a multiplicity of games by touching the screen of the EGD. Each game has multiple options with video as well as audio features. An algorithm, which results in payouts to the patron, is implanted in the machine. Each game has its own brand of sequencing -- its own payout. Because of the complexity, the simple EPROM is not sufficient to operate the programs. There is a disc drive (a hard drive) that has to be programmed in order to operate all of these features. There is also a necessity to secure this hard drive because under normal circumstances it can be programmed or altered. The ability to protect the inner workings was in question. Staff has worked with the licensee to insure the hard drive’s security and is working on rules to set specifications for the future.

The Administrator recommended that Silicon be allowed to sell its product in Illinois. He suggested that training be given to Board staff before the games are installed in Illinois. Training will be provided by Silicon Gaming.

Member Vickrey asked what the purpose of the EPROM is if the hard drive runs the program. Mr. Matthews stated that the hard drive is there out of necessity due to the size of the game programs. The graphic and sound files are too large to fit on an EPROM. The EPROM is important because the main security (RSA Data Security) mechanism, an encryption algorithm, is used in every major application of computers.

Member Vickrey asked if a strong magnetic field placed adjacent to the machine could have an impact to the programs on the disc drive. Mr. Matthews stated that Silicon has never encountered that before. He stated it would probably scramble bits stored and cause a failure (tilt) of the machine. Member Vickrey asked if someone sophisticated in electromagnetic technology could reprogram a disc drive from outside of the machine. Mr. Matthews replied no.

Member Pyatt asked how many Illinois licensees have shown interest in the Odyssey game. Mr. Matthews stated that initial contact has been made with the licensees and the interest is high.

In response to Member Vickrey, Mr. Matthews responded that there are 2,800-3,000 machines installed in Nevada casinos. There are about 4,500 machines installed throughout the U.S.

Member Vickrey moved **that pursuant to Board Rule 3000.240, the Board approve the application for a supplier's license submitted by Silicon Gaming Illinois, Inc. This initial license is for a period of one year, expiring in March of 2000.**

This approval is contingent upon and subject to Silicon's ability to demonstrate to the Administrator's satisfaction that the alternative memory storage media contained in the electronic gaming devices Silicon will provide in Illinois is secure. Specifically, to ensure the integrity of the games offered, Silicon must demonstrate, prior to the implementation of any game, that sufficient physical and procedural safeguards are in place to prevent unauthorized or inadvertent access to the serial port that connects to the memory storage media within each machine.

Member Browder seconded the motion. The Board approved the motion unanimously by voice vote.

Occupational Licenses

Member Browder moved that the Board approve 48 applications for an Occupational License, Level 2, and 128 applications for an Occupational License, Level 3, and deny 1 application for an Occupational License, Level 2 and 1 application for an Occupational License, Level 3. **Member Pyatt seconded the motion. The Board approved the motion unanimously by voice vote.**

Administrative Hearings/ALJ Reports

Having reviewed the staff report, Member Pyatt moved that the Board adopt the recommendation of the Administrative Law Judge and revoke Nadine Morgan's occupational license. **Member Browder seconded the motion. The Board approved the motion unanimously by voice vote.**

Complaints & Disciplinary Actions

Member Pyatt moved that the Board issue a disciplinary complaint against Vincent Stovall and suspend his license for a period of 30 days. **Member Browder seconded the motion. The Board approved the motion unanimously by voice vote.**

Board Policy Items

SUBPOENA REQUEST – Mareile' Cusack stated that staff received a subpoena for information contained in the applications of two occupational licensees. This subpoena differentiates from prior subpoenas in that the requestor is willing to enter into a confidentiality agreement with the Board, wherein the materials contained in the application will not be disclosed to anyone other than the court or parties to the case. Staff recommends compliance with the subpoena.

Member Vickrey moved **that the Board direct the Chief Counsel to comply with the subpoena issued by the U.S. District Court, Northern District of Indiana Case No. 98-CV-450-TS.** Member Pyatt seconded the motion. The Board approved the motion unanimously by voice vote.

At 11:00 a.m. Chairman Johnson took leave of the meeting and designated Robert Vickrey as Acting Chair.

Administrator's Report

Administrator Belletire summarized the following monthly statistical reports for February: Adjusted Gross Receipts; Underage Patrons; Cruise Disruptions/Cancellations; Credit Issuance; and Internal Control System changes.

The Administrator reported that:

Member Vickrey and the Administrator are assisting in a daylong training effort hosted by the Michigan Gaming Control Board on March 24.

The Administrator is traveling to Washington, D.C. March 17 for a meeting with the Regulation, Enforcement and Internet Committee of the NGISC to present a paper developed by himself and other regulators from across the nation. The paper discusses "model" legislation and "best practice" regulation for casino gaming.

The Administrator is hosting a round table March 30 for Midwest regulators to discuss common issues and concerns.

The Administrator stated that John deGrasse, staff attorney, resigned March 9 to accept employment in the private sector. The Administrator commended John for his dedicated service to the Board. He noted that John's tenacity, legal acumen and intensity were appreciated by the staff.

Greta Doumanian has joined the Board as a staff attorney.

The Administrator attended the appropriation hearings in Springfield to discuss the FY 00 budget. No action was taken.

The 1998 Annual Report was delivered to the Governor's Office on March 1 as required by the statute.

The Illinois Casino Gaming Association is making available palm cards that have several languages that outline features of the helpline.

LEGISLATIVE UPDATE – The Administrator reported that various gaming related bills have been introduced to the General Assembly. The Board was provided with the bills that staff is directly tracking. The Administrator reported on three bills which raise some concerns. SB992 that addresses the transfer of an owner's license uses language that the Administrator feels is an affront to the Board. SB1193 addresses the transfer of a license and states that any future license that may be granted in Cook County go to the governing body of the City of Chicago (the City Council) or the Cook County Board. The Administrator stated this would cause a difficult regulatory environment. SB 788 proposes legalized video and slot machines in all Illinois liquor establishments. Staff believes it is unworkable to regulate this type of environment.

The Administrator stated that unless the Board directs otherwise, staff will not take a position on any bills.

Member Vickrey stated that HB 2314 encourages economic development in East St. Louis but proposes an additional 2.5 percent tax on adjusted gross receipts. He encouraged representatives of the Casino Queen to look into this and the alternative proposal that redirects some of the current tax without an increase.

REVENUE PARTICIPATION – The Administrator reported that since the February Board meeting the Administrator authored a paper that offers commentary on the idiosyncrasies of revenue participation. The paper covers what constitutes revenue participation and issues of concern. The paper was sent to all owner and supplier licensees. The Administrator stated that there are legislative efforts being made in Nevada to try to inhibit or limit participation agreements.

Member Pyatt asked if efforts are being made to amend the Riverboat Gambling Act to address this issue. The Administrator stated that he sent a memo to the Governor's legislative office outlining what staff believes to be in the best interest of the Board. To date the Governor's Office has not responded as to the desirability of its Administration authorizing this to be introduced at this time.

PUBLIC COMMENTARY – Anita Bedell, representing the Illinois Church Action on Alcohol Problems, addressed three areas of concern. Ms. Bedell referred to Alton Gaming Company's October 1998 renewal and asked under what circumstances would the Board issue a "temporary" renewal of a license. The Administrator responded that there are no provisions in the Act for "temporary" licensure. The Administrator addressed Ms. Bedell's observations regarding the Alton Gaming Company. The requirements stipulated by the Board were prospective changes that the licensee was ordered to institute to improve its operation. When there are concerns, the Board renews a license with conditions that must be fulfilled by the licensee. The Board will evaluate the changes at the end of the licensure period. At no time does the Board relinquish its authority to revoke, suspend, or take complaint action against an operator during a licensure period.

Ms. Bedell expressed her concern about companies under investigation in Illinois or in other states being sold before the problems are corrected, specifically the Player's license (in Metropolis). She stated that the Louisiana Gaming Commission does not want to approve the sale of the Player's license in that state until the investigation has ended. She asked that the Board take this same approach.

Ms. Bedell stated that she concurs with the Administrator's opinions of the proposed gambling legislation. She stated that her organization is opposed to dockside gambling as an expansion of gaming. Ms. Bedell also expressed concern about the number of licensees that are being approved for maintenance and hull inspection and the time frame of the work. She perceives this as granting dockside gambling. Administrator Belletire stated that the Board does not set an "actual" ending date in order to facilitate a speedy completion of the work. The Administrator also stated that at no time are these maintenance periods considered "dockside" gaming. The ingress and egress procedures are followed as if there were a scheduled cruise.

Member Pyatt told Ms. Bedell that it is important for the Board to hear observations from concerned citizens. She stated that the Board welcomes commentary and will do their best to address public concerns. The Board attempts to balance its decisions, keeping in mind the interests of casino patrons and employees.

Thomas Kirkpatrick, representing the Chicago Crime Commission, asked that the Board maintain its level of competence in pursuing the background investigations of potential licensees, specifically, Jackpot and Horseshoe Gaming. Mr. Kirkpatrick addressed the concern about the transfer of ownership of a license. He stated that there is a feeling of escaping exposure when a licensee is allowed to transfer ownership.

Member Browder thanked the Crime Commission for its research and record keeping of unsavory characters.

Mr. Charles Sklarsky, representing Horseshoe Gaming, responded to Mr. Kirkpatrick's remarks. He stated that Horseshoe has been cooperating with staff and has undergone a rigorous review of its application. Mr. Sklarsky stated that Horseshoe is not asking for a lowering of standards. Horseshoe wishes to maintain the level of integrity of the gaming industry in Illinois and welcomes the scrutiny of an investigation.

Chairman Vickrey thanked all the speakers for their comments.

There being no further business to come before the Board, Member Pyatt moved **that the Board stand adjourned**. Member Browder seconded the motion. The Board approved the motion unanimously by voice vote and adjourned at 11:45 a.m.

Respectfully submitted,

Susan O. Weber
Secretary of the Board